

**CITY OF GRAND LEDGE
DOWNTOWN DEVELOPMENT
AUTHORITY**

Grand Ledge, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2004**

AUDITING PROCEDURES REPORT

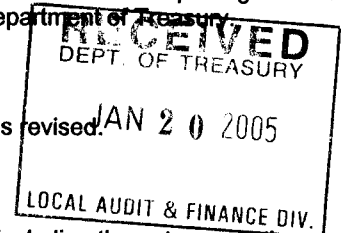
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Grand Ledge Downtown Development Authority		County Eaton
Audit Date 6/30/04	Opinion Date 12/03/04	Date Accountant Report Submitted to State: 1/12/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature <i>Rehmann Robson</i>		Zip 48605	

City of Grand Ledge Downtown Development Authority

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

December 3, 2004

Board of Directors
City of Grand Ledge Downtown Development Authority
Grand Ledge, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF GRAND LEDGE DOWNTOWN DEVELOPMENT AUTHORITY, a component unit of the City of Grand Ledge, Michigan**, as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **City of Grand Ledge Downtown Development Authority** at June 30, 2004, and the respective changes in financial position thereof, and the budgetary comparison for the Special Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Rehmann Robson

BASIC FINANCIAL STATEMENTS

City of Grand Ledge Downtown Development Authority
Statement of Net Assets and
Governmental Funds Balance Sheet
June 30, 2004

ASSETS

Assets

	Special Revenue	1994 Debt Service	2001 LTGO Parking Lot Debt Service	Capital Projects	Parking Lot Capital Project	Totals Governmental Funds	Adjustments	Statement of Net Assets
Cash and cash equivalents	\$ 2,189	\$ 4,776	\$ -	\$ 101,520	\$ 118,989	\$ 227,474	\$ -	\$ 227,474
Taxes receivable	77,649	-	-	-	-	77,649	-	77,649
Capital assets not being depreciated	-	-	-	-	-	-	48,892	48,892
Capital assets being depreciated, net	-	-	-	-	-	-	1,100,800	1,100,800
Total assets	\$ 79,838	\$ 4,776	\$ -	\$ 101,520	\$ 118,989	\$ 305,123	1,149,692	1,454,815

Liabilities

Accounts payable	\$ -	\$ -	\$ -	\$ 4,854	\$ 618	\$ 5,472	-	5,472
Accrued interest payable	-	-	-	-	-	-	33,286	33,286
Deferred revenue	57,938	-	-	-	-	57,938	-	57,938
Long-term liabilities:								
Due within one year	-	-	-	-	-	-	313,850	313,850
Due in more than one year	-	-	-	-	-	-	4,057,600	4,057,600
Total liabilities	57,938	-	-	4,854	618	63,410	4,404,736	4,468,146

Fund balances / net assets

Unreserved, undesignated	21,900	4,776	-	96,666	118,371	241,713	(241,713)	-
Total liabilities and fund balances	\$ 79,838	\$ 4,776	\$ -	\$ 101,520	\$ 118,989	\$ 305,123		

Net assets:

Invested in capital assets, net of related debt							(3,221,758)	(3,221,758)
Restricted for debt service							4,776	4,776
Restricted for capital projects							215,037	215,037
Unrestricted (deficit)							(11,386)	(11,386)
Total net assets (deficit)							\$ (3,013,331)	\$ (3,013,331)

City of Grand Ledge Downtown Development Authority
Statement of Activities and
Governmental Fund Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2004

	Special Revenue	1994 Debt Service	2001 LTGO Parking Lot Debt Service	Capital Projects	Parking Lot Capital Project	Totals Governmental Funds	Adjustments	Statement of Activities
Revenue								
Taxes	\$ 692,338	-	\$ -	\$ -	\$ -	\$ 692,338	\$ -	\$ 692,338
Interest	4,000	(936)	-	-	980	4,044	-	4,044
Other	-	-	-	8,704	-	8,704	-	8,704
Total revenue	696,338	(936)	-	8,704	980	705,086	-	705,086
Expenditures / expenses								
Economic development	-	-	-	-	-	-	266,883	266,883
Capital outlay	-	-	-	138,540	31,598	170,138	(170,138)	-
Debt service:								
Principal	-	258,050	40,000	-	-	298,050	(298,050)	-
Interest and fiscal charges	-	154,653	52,219	-	-	206,872	(2,078)	204,794
Total expenditures / expenses	-	412,703	92,219	138,540	31,598	675,060	(203,383)	471,677
Revenue over (under) expenditures	696,338	(413,639)	(92,219)	(129,836)	(30,618)	30,026	203,383	233,409
Other financing sources (uses)								
Transfers in	-	418,415	92,219	184,932	-	695,566	(695,566)	-
Transfers out	(695,566)	-	-	-	-	(695,566)	695,566	-
Transfers to primary government	-	-	-	(116,544)	-	(116,544)	116,544	-
Total other financing sources (uses)	(695,566)	418,415	92,219	68,388	-	(116,544)	116,544	-
Net changes in fund balances / net asset:	772	4,776	-	(61,448)	(30,618)	(86,518)	319,927	233,409
Fund balances/net assets, beginning of year	21,128	-	-	158,114	148,989	328,231	(3,574,971)	(3,246,740)
Fund balances/net assets, end of year	\$ 21,900	\$ 4,776	\$ -	\$ 96,666	\$ 118,371	\$ 241,713	\$ (3,255,044)	\$ (3,013,331)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge Downtown Development Authority
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenue				
Taxes	\$ 647,418	\$ 705,616	\$ 692,338	\$ (13,278)
Interest	4,000	4,000	4,000	-
Total revenue	651,418	709,616	696,338	(13,278)
Other financing uses				
Transfers out	691,269	755,566	695,566	(60,000)
Revenue over other uses	(39,851)	(45,950)	772	46,722
Fund balances, beginning of year	21,128	21,128	21,128	-
Fund balances, end of year	<u>\$ (18,723)</u>	<u>\$ (24,822)</u>	<u>\$ 21,900</u>	<u>\$ 46,722</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grand Ledge Downtown Development Authority (the "Authority" or "DDA") was established pursuant to Public Act 197 of 1975, as amended. The Authority's purpose is to revitalize and plan for the controlled development of the Grand Ledge downtown business district.

Reporting Entity – These financial statements present the financial position and the results of operations of the Authority. The DDA is a discretely presented component unit of the City of Grand Ledge, Michigan (the "City" or "primary government") and its financial statements are an integral part of that reporting entity because the City has the ability to significantly influence its operations and has accountability for fiscal matters. The Authority operates under the supervision of a Citizen's Advisory Committee appointed by the City Council.

Authority-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined authority-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to authority-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

- Special Revenue Fund
- Debt Service Funds:
 - 1994 Debt Service
 - 2001 LTGO Parking Lot
- Capital Projects Funds:
 - Capital Projects
 - Parking Lot Capital Project

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for the Authority's operations (excluding debt service).

Debt service funds account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

Capital projects funds account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings and land improvements.

As a general rule the effect of interfund activity, if any, has been eliminated from the authority-wide financial statements.

Long-term Obligations – In the authority-wide financial statements, long-term debt is reported as a liability. Bond discounts, premiums, issuance costs and refunding losses are deferred and amortized over the life of the applicable bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount, premium and deferred loss. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Discounts or premiums on debt issuances are reported as other financing uses or sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Budgetary Information – The special revenue fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- Prior to the first regular Council meeting in April, the Authority submits to City Council a proposed budget for the fiscal year beginning the following July 1. The budget includes proposed expenditures and the means for financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Not later than the first Council meeting in June, the budget is legally enacted through passage of a resolution.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Council during the year. Individual amendments were not material in relation to the original appropriations.

Unfavorable budget variances for the special revenue fund, if any, are disclosed on the Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual.

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

2. CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The City maintains common checking accounts for substantially all funds, including the Authority's. Each fund's share of the aggregate cash balance is reported separately. Surplus funds are invested throughout the year. The City allocates interest earnings to the funds in proportion to the average cash balance of each fund.

At year-end, the carrying amount and the bank balance of the Authority's deposits were \$227,474. Cash categorizations are included in the City's financial statements to give an indication of the aggregate level of risk at year-end. It is not feasible to allocate the level of risk to the Authority.

3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated				
Land	\$ -	\$ 48,892	\$ -	\$ 48,892
Capital assets being depreciated				
Land improvements	1,157,785	17,936	-	1,175,721
Accumulated depreciation	(27,892)	(47,029)	-	(74,921)
Capital assets being depreciated, net	1,129,893	(29,093)	-	1,100,800
Total capital assets, net	\$ 1,129,893	\$ 19,799	\$ -	\$ 1,149,692

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

4. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2004 was as follows:

	<u>Interest Rates</u>	<u>Principal Outstanding</u>
Bonds:		
1998 development refunding	4.25-4.850%	\$ 3,045,000
2001 development	4.0-4.875%	<u>1,120,000</u>
		<u>4,165,000</u>
 Notes:		
1998 purchase contract (Larson)	5.0%	72,750
1998 purchase contract (Kingroy)	5.0%	<u>133,700</u>
		<u>206,450</u>
		 <u><u>\$ 4,371,450</u></u>

The following is a summary of the changes in long-term debt for the year ended June 30, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 4,445,000	\$ -	\$ (280,000)	\$ 4,165,000	\$ 295,000
Notes payable	<u>224,500</u>	<u>-</u>	<u>(18,050)</u>	<u>206,450</u>	<u>18,850</u>
	<u><u>\$ 4,669,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (298,050)</u></u>	<u><u>\$ 4,371,450</u></u>	<u><u>\$ 313,850</u></u>

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

The annual requirements to pay principal and interest are as follows:

Year Ended June 30,	Bonds		Notes	
	Principal	Interest	Principal	Interest
2005	\$ 295,000	\$ 189,399	\$ 18,850	\$ 10,322
2006	305,000	176,974	19,750	9,382
2007	320,000	163,994	20,700	8,390
2008	335,000	150,249	21,750	7,358
2009	350,000	135,646	22,700	6,270
2010-14	1,725,000	441,007	102,700	13,158
2015-19	650,000	115,466	-	-
2020-21	185,000	13,650	-	-
	<u>\$ 4,165,000</u>	<u>\$ 1,386,385</u>	<u>\$ 206,450</u>	<u>\$ 54,880</u>

5. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the component-wide statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 241,713
Adjustments:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Add – Capital assets	1,224,613
Deduct – accumulated depreciation	(74,921)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Deduct – long-term liabilities	(4,371,450)
Deduct – accrued interest on long-term liabilities	(33,286)
Net assets (deficit)	<u>\$ (3,013,331)</u>

City of Grand Ledge Downtown Development Authority

Notes to Financial Statements

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the component-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balances	\$ (86,518)
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Adjustments:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Add – capital outlay	66,828
Deduct – depreciation expense	(47,029)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

Add – principal payments on long-term liabilities	298,050
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add – decrease in accrued interest payable on bonds	2,078
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Change in net assets	<u>\$ 233,409</u>
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